M2Comm further argues that the "*dealing with*" standard, as a matter of linguistics, implicitly references confusion of sponsorship or association. Opp. 4 n. 4. In *Madacy*, the jury – whose only exposure to trademark law was via the District Court's limited instruction – was asked a single special verdict question, i.e., whether persons in the general public were likely to "*mistakenly believe* that they were *dealing with*" the other trademark user. Pet. 18 n. 31. The Ninth Circuit affirmed the restrictive language in a published decision – language that contradicts the statute itself, and language that the Fifth Circuit would describe as just a "rather silly mistake." [Pet. 18 n. 31].[8]

If Congress had intended the standard to be restricted to persons who "mistakenly believe that they were dealing with" someone, it would have stopped at the word "mistake." Instead, the statute plainly prohibits, in the disjunctive, any use that is likely "to cause confusion, *or* to cause mistake, *or* to deceive." 15 U.S.C. §§ 1114(1) and 1125 (App. at 87a-88a) (emphasis added).[9] *See* Pet. 18 n. 31. The plain meaning and congruity of the statutes is ignored by the *Madacy* decision, which is already having a national impact. At least one leading jury instruction treatise has recently included the erroneous jury instruction affirmed in *Madacy* as the authoritative language for determining likelihood of confusion. *See Federal Jury Practice and Instructions*, 3A Fed. Jury Prac. &

---

[8] If the *Madacy* defendants truly believed that "dealing with" encompassed confusion of sponsorship or affiliation, there would have been no need to contest M2's proposed model instructions [ER184-53; ER184-55], and no need to misrepresent to the jury at least four (4) times in closing argument that M2's rights were limited to the goods identified in the registration. ER294-15; ER294-20, ER294-23. Cf. *McCarthy* § 24:6 at 24-14. This was central to the verdict, as the sole jury question that was presented concerned the registration language. *See* ER207-1.

[9] The language of a statute must be interpreted in a manner that does not render other provisions superfluous. *Greenpeace, Inc. v. Waste Technologies Indus.*, 9 F.3d 1174, 1179 (6th Cir. 1993).

Instr. § 159.31 (5th ed.), 2006 Supplemental Service (presenting the "dealing with" language of *Madacy* as a definitive jury instruction).[10]

IV. As to Summary Reversal Under Rule 16.1, Respondent Misapprehends the Ninth Circuit's Clear Error of Allowing (without a Jury Trial) a Junior Use of an *Identical* Trademark for *Exactly* the Same Goods of an Incontestable Registration

M2Comm misapprehends the clear error committed below that, in the alternative, justifies summary reversal under Rule 16.1. Opp. 9-10. The Ninth Circuit denied protection for an incontestable, federally-registered, fanciful trademark adopted in *identical* form by the infringer for *exactly* the same goods specified in the registration. Pet. 23. This is reversible error. That this error was made through the improper application of a "noncompetitive goods multi-factored test" – the analysis that M2Comm focuses on in its opposition – simply provides the explanation for the error committed.[11]

The multi-factored tests were originally designed for non-competitive goods. *See AMF Inc. v. Sleekcraft Boats*, 599 F.2d 341, 348 (9th Cir. 1979) ("*Sleekcraft*")

---

[10] Intellectual property commentators have gone on record to question the *Madacy* logic and suggest that the decision creates a loophole in the Lanham Act. As one commentator has opined: "It seems to me that this is an unjustified narrowing of the scope of a reverse confusion claim. . .if you're representing a defendant accused of creating reverse confusion, keep this [*Madacy*] case in mind." http:// secondarymeaning.blogspot.com/2005/09/9th-circuit-reverse-confusion-decision.html.

[11] M2Comm argues that M2 did not present the "quantum of evidence" required to show likely confusion [Opp. 12]. To avoid violation of M2's Seventh Amendment right to a jury trial, the correct standard on summary judgment should have been only whether there was any genuine issue of material fact that needed to be resolved. M2Comm acknowledges that "[b]oth the District Court *and* the Ninth Circuit" found that M2 had "*failed to establish* that confusion is likely" [Opp. 9], which disregarded M2's substantial evidence and is more properly a legal conclusion made only on review *after* a trial on the merits. [Pet. 21].

(factors "*added* to the calculus" for noncompeting goods) (emphasis added). Development of such tests were a judicial necessity once the standard of infringement had expanded with adoption of the Lanham Act in 1946. Prior to the Act, a junior use would be infringing if a confusingly similar mark was used for goods of the "same descriptive properties" of the senior registrant. *McCarthy* § 24:63. This restrictive standard was repealed by the 1946 Lanham Act, which "gave rise to the modern 'related goods' rule." *McCarthy* § 24:65. This change in rule required that a "multi-factor" test be designed to evaluate related goods, but the additional factors were never intended to serve as a new loophole for infringement by goods that would have earlier fallen under "same descriptive properties" standard.

Congress declared that incontestability was conclusive evidence of "the registrant's exclusive right to use the registered mark." 15 U.S.C. § 1115(b). In other words, the senior ~~holder of~~ an incontestable trademark has the right to use his mark "on the goods or services specified in the affidavit" to the exclusion of anyone else. *Id.*[12] The ability to use a mark to the exclusion of others is the Congressional recognition of the substantial intangible value of a registered trademark. No matter

---

[12] The use of multi-factored tests for competing goods can only be reconciled with the exclusivity rights of the Lanham Act's incontestable provisions if (as is done in the only other circuits to use such tests on competing goods) the "similarity of marks" factor is "weigh[ed] *heavily*" in the analysis where an identical mark is at issue. *See In re Majestic Distilling Co., Inc.*, 315 F.3d 1311, 1315 (Fed. Cir. 2003) (out of a universe of possibilities, adoption of an identical mark "weighs heavily against the applicant."); *In re Shell Oil Co.*, 992 F.2d 1204, 1206 (Fed.Cir.1993); *Interpace Corp. v. Lapp, Inc.*, 721 F.2d 460, 463 (3d Cir. 1983) ("Where the names are identical... the names in themselves are evidence of likelihood of confusion"); *A & H Sportswear, Inc. v. Victoria's Secret Stores, Inc.*, 237 F.3d 198, 214 (3d Cir. 2000) (using factor test only "when the marks are not identical"). The Ninth Circuit below weighed the similarity of marks only "slightly" even though the marks are identical. [App. 12a, 13a].

how many years or millions of dollars are invested by a company in its registered trademark, the trademark's value will be severely diminished, if not worthless, when anybody who chooses to use that mark on identical or related goods and services may do so with impunity. The Ninth Circuit's flawed weighing of secondary factors to deny an incontestable trademark owner its rights to the exclusive use of its mark in its registered field of use grossly inhibits a new trademark owner from ever expanding its mark to its true commercial potential.

A grant of certiorari is necessary to resolve with clarity the central question in the Petition, but should certiorari not be granted, summary reversal is required to prevent the new judge-created "loophole" from being used in future decisions to destroy the valuable incontestable trademark rights of registrants.

Respectfully submitted,

Mark L. Pettinari
Counsel of Record
LAW OFFICES OF MARK L. PETTINARI
Stock Exchange Tower
155 Sansome Street, Suite 400
San Francisco, CA 94104
Tel (415) 240-4200
Attorney for Petitioner
M2 SOFTWARE, INC.

(2)

MAY 12 2006

No. 05-967

In the Supreme Court of the United States

M2 SOFTWARE, INC.,
Petitioner,

v.

MADACY ENTERTAINMENT, *et al*,
Respondents

M2 SOFTWARE, INC.,
Petitioner,

v.

M2 COMMUNICATIONS, LLC, *et al*,
Respondents

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT

PETITION FOR REHEARING

MARK L. PETTINARI
Counsel of Record
LAW OFFICES OF MARK L. PETTINARI
Stock Exchange Tower
155 Sansome Street, Suite 400
San Francisco, CA 94104
Tel (415) 240-4200
Attorney for Petitioner
M2 SOFTWARE, INC.

QUESTION PRESENTED

Whether this Court should resolve the conflict both within and between circuits – *expressly acknowledged by this Court in a 2003 footnote, but deepened since then by the Ninth Circuit below* – as to whether federal trademark protection extends to protection against a junior use of a senior registrant's trademark that is likely to cause the many forms of confusion of source, sponsorship, approval, affiliation, connection, or other association, *or whether federal trademark protection extends only to protection against a likelihood of direct purchaser mistake as to source.*

RULE 29.6 STATEMENT

Petitioner is M2 Software, Inc. (hereinafter "M2"). Petitioner has no parent corporation and there is no publicly held company owning 10% or more of Petitioner's stock.

Respondents are Madacy Entertainment, Handleman Company, and SFX Entertainment (now Clear Channel Entertainment) [U.S.C.A. No. 03-55957] and M2 Communications, LLC, Gaylord Entertainment, and Jeff Moseley [U.S.C.A. No. 03-56602].

Pursuant to Supreme Court Rule 12.4, a single Petition for Certiorari was submitted for the above judgments on the grounds that the judgments are sought to be reviewed on a writ of certiorari to the same court and involve identical or closely related questions.

TABLE OF CONTENTS

QUESTION PRESENTED i

RULE 29.6 STATEMENT ii

I. BACKGROUND 1

II. DISCUSSION 3

A. "Carving Out" a Market Niche from a Senior Incontestable Federal Trademark Registration that Includes no Restriction as to that Niche is a Business "Property Taking" that is Contrary to Statute and the Public Interest 5

B. The Ninth Circuit Improperly Resolved Genuine Issues of Material Fact when it Granted Summary Judgment on the Cases of the M2 Petition 7

III. CONCLUSION 10

RULE 44.1 CERTIFICATION 11

TABLE OF AUTHORITIES

CASES

AMF Inc. v. Sleekcraft Boats, 599 F.2d 341 (9th Cir. 1979) 8
Anderson v. Liberty Lobby, Inc., 477 U.S. 242 (1986) 8, 10
Bishop v. Equinox International Corp., 154 F.3d 1220 (10th Cir. 1998) 6
Blue Bell, Inc. v. Farah Mfg. Co., Inc., 508 F.2d 1260 (5th Cir. 1975) 2
Borinquen Biscuit Corp. v. M.V. Trading Corp., --- F.3d ---, 2006 WL 852365 (1st Cir. 2006) (April 4, 2006) 9
Celotex Corp. v. Catrett, 477 U.S. 317 (1986) 8
College Sav. Bank v. Florida Prepaid Postsecondary Educ. Expense Bd., 527 U.S. 666 (1999) 6
Communications Satellite Corp. v. Comcet, Inc., 429 F.2d 1245 (4th Cir. 1970) 4
Country Floors, Inc. v. Gepner, 930 F.2d 1056 (3d Cir. 1991) 8
Cunningham v. Laser Golf Corp., 222 F.3d 943 (Fed. Cir. 2000) 9
Dreamwerks Prod. Group Inc. v. SKG Studio, 142 F.3d 1127 (9th Cir.1998) 9
First Nat'l Bank of Ariz. v. Cities Serv. Co., 391 U.S. 253 (1968) 8
Gillette Canada, Inc. v. Ranir Corp., 23 USPQ2d 1768 (TTAB 1992) 9
In re Majestic Distilling Co., Inc., 315 F.3d 1311 (Fed. Cir. 2003) 9
Interstellar Starship Servs., Ltd. v. Epix, Inc., 184 F.3d 1107 (9th Cir.1999), cert. denied, 528 U.S. 1155 (2000) 8
Kelo v. City of New London, Conn, ---U.S.---, 125 S.Ct. 2655, *reh'g denied*, 126 S.Ct. 24 (2005) 6
M2 Software, Inc. v. M2 Communications, LLC, 149 Fed.Appx. 612 (9th Cir. 2005), *reh'g en banc denied*

(9th Cir. Nov. 1, 2005) ("*M2 Communications*") 1, 5, 7, 10
M2 Software, Inc. v. Madacy Entertainment, 421 F.3d 1073 (9th Cir. 2005), *reh'g en banc denied* (9th Cir. Nov. 2, 2005) ("*Madacy*") 6, 7, 9
M2 Software, Inc. v. Viacom, Inc., 30 Fed.Appx. 710, 712 (9th Cir. 2002), *reh'g en banc denied* (9th Cir. Apr. 22, 2002) ("*Viacom*") 2
MetroNet Servs. Corp. v. Qwest Corp., 383 F.3d 1124 (9th Cir. 2004) 8
Recot, Inc. v. Becton, 214 F.3d 1322 (Fed. Cir. 2000) 3
SquirtCo v. Tomy Corp., 697 F.2d 1038 (Fed. Cir. 1983) 6
Surfvivor Media, Inc. v. Survivor Productions, 406 F.3d 625 (9th Cir. 2004). 10
Wella Corp. v. California Concept Corp., 558 F.2d 1019 (C.C.P.A. 1977) 7

STATUTES

15 U.S.C. §1115(b) 6

OTHER AUTHORITIES

Trademark Manual of Examining Procedure ("TMEP") § 1207.01(a)(iii) 6

RULES

Fed. R. Civ. P. 56(c) 8

Pursuant to Supreme Court Rule 44, Petitioner M2 Software, Inc. ("M2") submits this Petition for Rehearing of M2's Petition For Certiorari ("M2 Petition"). The M2 Petition was filed on January 30, 2006 ("M2 Petition"). Respondents M2 Communications, L.L.C. and Jeffory Mosely filed a response on March 6, 2006. M2 submitted the Reply of Petitioner ("M2 Reply") on March 13, 2006. This Court denied the M2 Petition by its Order of April 17, 2006. As set forth below, substantial grounds under the traditional criteria present compelling reasons for a rehearing by this Court. Supreme Court Rule 44.2.

I. BACKGROUND

The cases of the M2 Petition concern the decision of a single district court judge that without a trial severely limited the valuable and exclusive federal trademark rights of a 15-year-old corporation. A decision severely diminishing 15 years of trademark goodwill in a given industry can be an effective death sentence to any company. The present case concerns a judicial breakdown affecting an American business that the federal trademark laws are designed to protect.

M2 did everything right under the United States trademark laws, registering its unique and distinctive **M2** mark with the United States Patent and Trademark Office, using the **M2** mark consistently in every part of its music industry business as trademark, service mark, trade name, and corporate name, and protecting the trademark as the law required. M2 had good reason to believe that it would be able to freely expand under the **M2** mark, since it had invented its own new and distinctive trademark – a mark that had never been used by any company in any related field dating back to the very inception of the Principal Register of the United States Patent and Trademark Office.

The cases of the M2 Petition concern the launch and rebranding of existing divisions of music industry companies with close corporate ties to Viacom, a prior

defendant in a related case in which M2 prevailed.[1] *M2 Software, Inc. v. Viacom, Inc.*, 30 Fed.Appx. 710 (9th Cir. 2002), *reh'g en banc denied* (9th Cir. Apr. 22, 2002) ("*Viacom*"). The new parties adopted the identical **M2** mark in the midst of the *Viacom* litigation, under circumstances that indicate a bad faith motive designed to bolster Viacom's defense in that case. In particular, on January 27, 1999, the district court in the *Viacom* case ruled that M2 was "likely to prevail on the merits of its trademark claim," finding Viacom's aggressive claim of a "crowded field" to be "unsupported by the record" because Viacom had been unable to identify a single other use of the **M2** mark in any related field.[2] Just weeks thereafter in 1999, the two new ventures that are subject of the M2 Petition were launched or rebranded in the music industry using the same distinctive **M2** mark out of a universe of marks.[3]

Viacom lost in its attempt to take over the intellectual property of M2. The lower courts have now allowed Viacom's partners to proceed with exactly the same conduct from which Viacom was judicially barred

---

[1] The evidence of this relationship is undisputed. SEC records show that one new defendant owned $613 million of Viacom equity out of total stockholder equity of $727 million -- a full 84% of the company was made up of Viacom stock. [M2COMM ER25-28/30]. This defendant also shared substantial production facilities, various employees, a common corporate director, and the same trademark attorneys with Viacom. [M2COMM ER50-14/15, ER67-6/7].

[2] *M2 Software, Inc. v. Viacom, Inc.* (C.D. Cal. 98-CV-8734, Docket No. 61, January 27, 1999), Order Denying Preliminary Injunction, at 8, 18. A preliminary injunction was denied as untimely.

[3] It is one thing to infringe through an entirely new launch. It is quite another to launch a trademark to instant widespread dispersion by attaching the senior user's trademark (that was already in litigation with related parties) to an existing product line (*Madacy*) or to a new label formed by transferring an already-successful musical group (*M2 Communications*). *See Blue Bell, Inc. v. Farah Mfg. Co., Inc.*, 508 F.2d 1260, 1267 (5th Cir. 1975) ("In the instant case Blue Bell's attachment of a secondary label to an older line of goods manifests a bad faith attempt to reserve a mark.")

in 2004.[4] A rehearing is necessary, in part, to restore order to the chaos and ambiguity that is demonstrated through these diametrically-opposed decisions on exactly the same issue and exactly the same trademark.

II. DISCUSSION

It is undisputed that M2 started its life as a record label.[5] It is also undisputed that, in this modern digital age, virtually every record label that manufactures CDs also manufactures other media such as CD-ROMs or DVDs containing interactive multimedia applications featuring musical content. Where single manufacturers typically produce both types of goods, the use of the same trademark on such products is likely to confuse the public that the producers are the same or related companies. *See Recot, Inc. v. Becton*, 214 F.3d 1322, 1328 (Fed. Cir. 2000) (dual manufacture is "extremely pertinent to the question of whether... a consumer would likely think that [the trademark owner] produced, sponsored, or licensed its mark for" the junior use). For example, a brand marketed as "**ARISTA** Interactive" can be nothing other than the interactive segment of **ARISTA** Records; a brand marketed as "**MOTOWN** Interactive" can be none other than the interactive segment of **MOTOWN** Records, and so forth. In the other direction, a company launching as "**NAPSTER** Records" and producing musical content on CDs and other physical media is certain to be perceived as related to the original **NAPSTER** digital enterprise.

---

[4] In 2004, a permanent injunction issued against Viacom. *M2 Software, Inc. v. Viacom, Inc.* (C.D. Cal. 98-CV-8734, Docket No. 344, September 7, 2004) ("Defendants are permanently enjoined from using the specific marks M2 or M2: Music Television to identify any of Defendants programming services or to identify any of Defendants interactive multimedia products.")

[5] *See* M2COMM ER151-5; ER151-7; ER145-69; ER145-71; ER145-77; MADACY ER49-96; ER49-98/99; ER291-15/17.

In addition to its interactive music content segment, M2's primary business also includes the production of interactive software applications and administration services for record labels and music publishers. This "music industry infrastructure" segment has generated revenues for M2 since its inception in the millions of dollars under the **M2** brand. The **M2** Record Label Management System, for example, has helped to administer many well-known record labels, including several divisions of Sony BMG.[6] M2's music industry infrastructure segment is directly complementary to a record label business. Complementary products are highly vulnerable to confusion. *Communications Satellite Corp. v. Comcet, Inc.*, 429 F.2d 1245, 1253 (4th Cir. 1970).[7]

It is undisputed that interactive musical products are naturally commercially related to traditional physical musical products. The incontestable federal trademark registration owned by M2 includes such products:

> "Computer software featuring business management applications for the film and music industries; and interactive multimedia applications for entertainment, education, and information, in the nature of artists' performances and biographical information from the film and music industries * * * in Class 9 (U.S. Cls. 21, 23, 26, 36 and 38)."

U.S. Reg. 1,931,182. The defendants in the cases of the M2 Petition also produce interactive multimedia applications featuring musical content under the **M2** trade-

---

[6] [M2COMM ER78-20/30; ER145-34/35; ER145-70; ER166-88/99; ER166-100/106; ER114-2/3; ER50-2; ER145-90/98; ER145-142/147; ER25-5; MADACY ER292-12/13; ER49-173/174; ER49-258/271; ER49-244/257; ER60(8)-75/78; ER60(9)-79/84].

[7] As in the above examples concerning M2's interactive multimedia content segment, if exactly this type of music industry product were marketed as, for example, **ARISTA** Record Label Management System, it is easy to recognize why the products and services are likely to be perceived as somehow related to, in this example, **ARISTA** Records.

mark that squarely fit within the language of this registration. M2 Communications produces *iWorship* and similar interactive multimedia applications, and Madacy has added the same interactive class of products to its record label registrations at the United States Patent and Trademark Office.[8]

A. "Carving Out" a Market Niche from a Senior Incontestable Federal Trademark Registration that Includes no Restriction as to that Niche is a Business "Property Taking" that is Contrary to Statute and the Public Interest

Ignoring the parties' interactive products, the Ninth Circuit reached its decisions in both cases by focusing on musical genre distinctions between the products themselves. It determined that the *M2 Communications* defendants may "carve out" their use of M2 Software's registered trademark specifically for the "Christian music" niche. *M2 Software, Inc. v. M2 Communications, LLC*, 149 Fed.Appx. 612, 614 (9th Cir. 2005), *reh'g en banc denied* (9th Cir. Nov. 1, 2005) ("*M2 Communications*") (finding "Christian" marketing channel distinguishes the parties). Similarly, it ruled that the *Madacy* defendants may "carve out" their use of M2 Software's registered trademark for an artificial genre of so-called "sports" music that it judicially created.[9] *M2*

---

[8] M2COMM ER78-5/7 ("plus bonus CD-ROM"); ER151-71/74; ER69-50; ER151-56; ER151-46 (interactive multimedia applications "jointly developed by M2 Communications, L.L.C. (M2)"); MADACY ER126-15/19; ER61-46/48; ER49-148/149; ER292-49.

[9] There is no such classification as a "sports" musical genre. A song of the "rock" musical genre played on a sports-marketed CD is still a "rock" song, not a "sports" song; a "blues" song may be licensed for a sports-marketed CD while still remaining blues; and a song of the "acid jazz" variety may be licensed for a sports-marketed CD while never leaving the musical genre of "acid jazz." The Ninth Circuit fatally misconstrued this important distinction between musical genres and marketing channels when it allowed the infringer to adopt an identical mark in the same field of the senior registrant. *See Madacy*, 421 F.3d at 1082 n.7.

Software, Inc. v. Madacy Entertainment, 421 F.3d 1073, 1084 (9th Cir. 2005), *reh'g en banc denied* (9th Cir. Nov. 2, 2005) ("*Madacy*") (finding marketing channel factor "weighs heavily").

This "carving out" of substantial federal trademark rights sets a dangerous precedent that ignores the exclusivity provisions of Section 1115(b) and effectively constitutes a "property taking" of M2's senior trademark property rights.[10] *See, e.g., College Sav. Bank v. Florida Prepaid Postsecondary Educ. Expense Bd.*, 527 U.S. 666, 673 (1999) ("[t]he Lanham Act may well contain provisions that protect constitutionally cognizable property interests – notably, its provisions dealing with infringement of trademarks"); *Bishop v. Equinox International Corp.*, 154 F.3d 1220, 1223 (10th Cir. 1998) (a trademark is a protectable property right). The district court unilaterally transferred M2's expansion value and goodwill to the defendants.[11] The law is that a likelihood of confusion determination "must be resolved . . . on the basis of all normal and usual channels of trade and methods of distribution." *SquirtCo v. Tomy Corp.*, 697 F.2d 1038, 1042 (Fed. Cir. 1983). A decision like that of the Ninth

---

[10] The Lanham Act, and the United States Patent and Trademark Office, already have tools in place to protect the public against this type of judicial action. *See* Trademark Manual of Examining Procedure ("TMEP") § 1207.01(a)(iii) ("If the cited registration describes goods or services broadly, and there is no limitation as to the nature, type, channels of trade, or class of purchasers . . . an applicant does not avoid a likelihood of confusion *merely by more narrowly identifying its related goods*.") (emphasis added); 15 U.S.C. §1115(b). The new line of cases simply ignores the statute.

[11] *See, e.g., Kelo v. City of New London, Conn*, ---U.S.---, 125 S.Ct. 2655, *reh'g denied*, 126 S.Ct. 24 (2005). In *Kelo*, Justice O'Conner warned in her dissent that a judicial decision against individual property rights (there, in an eminent domain case) is likely to benefit "those citizens with disproportionate influence and power in the political process, including large corporations . . ." *Id.* at 2676. As in the cases of the M2 Petition, the effect of judicial laxity on property rights is the "tran[s]fer [of] property from those with fewer resources to those with more." *Id.*